about $100 had been deposited, and then ceased altogether. But the most extreme case was where a girl deposited $100 at one time—a present from her father with the understanding that she was to save it. Such things as these indicate that parents are taking advantage of the high interest paid and are depositing for investment. Though this does not directly injure any one, yet it compels the teachers to keep books for people better off than they, and has likewise a tendency to discourage those who can not deposit such heavy sums. With the one-dollar limit more strictly adhered to this would be an exceedingly successful school savings bank.

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BULLION NOTES AND AN ELASTIC CURRENCY.

In the April number of *The Forum* Mr. José F. de Navarro proposes, instead of the present system of silver certificates and treasury notes redeemable in silver dollars, to substitute a system of bullion notes redeemable in silver bullion at the gold price of silver on the day of payment. This is essentially the plan submitted to Congress in 1889 by Secretary Windom, who proposed to restrict the issue of these bullion notes to the yearly commercial value of the product of the American mines. This would have resulted in an annual increase of the currency of about $55,000,000 (57,600,040 in 1891). All the advantages of the plan as claimed by Mr. de Navarro may be readily conceded. It would check at once the scare about the loss of our gold. In fact, with such a system of currency, the United States could dispense with gold altogether. This is a contingency, however, which neither Secretary Windom nor Mr. de Navarro seems to have considered safe or allowable. Yet further consideration will show that, having adopted the system of bullion notes, every dollar of gold now on hand might be exported to Europe, and every new ounce from the mines might follow it, yet every dollar of American currency would be as good as a gold dollar. Should all the gold leave the country in this way, cablegram reports from London every day would give the gold price of silver, just as the Director of the Mint to-day receives prices to guide him in the purchase of bullion under the act of 1890. Every bullion note presented to the Treasury would be redeemed in silver bullion at the world's gold price of silver on that day, and would, therefore, be equal to a redemption in gold on the markets of the world.

If these principles be true, may not the United States go further and adopt a scientifically elastic system of currency, based on bullion notes?

The distinguished Swiss professor of political economy, Léon Walras, of Lausanne, some years ago proposed a plan for an elastic currency, and substantially the same plan has been advocated by President E. Benjamin Andrews, of Brown University, one of the American delegates

to the recent Brussels Conference. The plan as outlined by President Andrews is as follows :* The establishment of gold as the universal unit of value; then (1) "the critical ascertainment of the course of prices; (2) the use of some full legal tender money, like silver, represented by certificates; and (3) the injection of a portion of this into circulation or the withdrawal of a portion therefrom, according as prices had fallen or risen."

"The course of prices should be determined daily by a commission through telegraphic reports from the greater markets, stress being laid on the following conditions: Commodities must be taken from each of the two great classes, those subject and those not subject to the law of diminishing returns, as far as possible in the proportion which each bears to the total consumption. . . . Those articles must be chosen which are the least subject to accidental and artificial fluctuations. . . . The greater the number of staples the better. . . . As a rule prices are to be registered in all the major markets of the country or countries whose prices are in question. In not a few cases, as wheat and standard silver, London prices would serve as well for other countries as for Great Britian. . . . The fifth special condition is that of quantity co-efficients—an arrangement whereby the figures for each commodity are made to enter into the grand total a number of times in proportion to the quantity of it consumed."

Having in this way found average prices by an index number or otherwise, "if the amount at any addition is greater than at the last, general prices have risen: money has grown cheaper, has lost in purchasing power; too much of it is in circulation; some must be withdrawn. If, on the contrary, the amount is less than at the last summation, prices have fallen; money has grown dearer, has gained in value; too little of it is in circulation, and more must be set free or coined to redress the balance. In a word, inflate or contract, rarefy or condense, so as to keep the footing of your great price list perpetually the same."

There is one insuperable objection to this scheme, namely, the proposal to make the subsidiary money a token money, presumably like our standard silver dollar. This objection would show itself both when prices are rising and when they are falling. If prices were rising the government could contract the currency only by issuing bonds redeemable in silver certificates. It could not sell the silver for the certificates. On the other hand, if world-prices showed a continued tendency to fall, the government, by its constant injection of these depreciated coins, would eventually drive all the gold from the country and prices would be based on the depreciated silver. Consequently, since falling prices

*"An Honest Dollar," p. 36, Publications of American Economic Association. Vol. IV., No. 6.

are the rule to-day, the scheme, if carried out, would bring the same results as free coinage. It can, therefore, never hope for success except by an international agreement, and is further off to-day than simple international bimetallism.

But these objections would not hold if the subsidiary money were bullion notes redeemable in silver bullion at the current gold price of silver. With such an amendment, the scheme of President Andrews could be carried out with eminent success by the United States alone. We could become the great regulator of world-prices, and not with great loss, such as France incurred when she played that rôle under simple bimetallism, but with unexampled profit. Our six hundred millions of gold would go abroad in just the quantities we desired and keep up Europe's prices, while we would be doing business on a gold basis without need of the gold. The monetary commission, if prices were falling, would purchase silver bullion at its market value at any figure below $1.29 per ounce, and legal-tender certificates would be issued in payment thereof, in such quantities as were necessary to keep up prices. Then again, if prices were rising above the standard, the commission could sell silver bullion at its market value, and could lock up the certificates received therefor, thus contracting the currency without the issue of bonds. With the expansion of the country, however, it is likely that the purchase of bullion rather than its sale would be the normal operation.

It may be objected that quantity of money is not the only factor influencing the rise and fall of prices, but that inflation and collapse of credit have the same effect. This is undoubtedly true. But credit depends largely on the prospects of the money-supply. The knowledge that a commission of experts is ready to contract the currency will prevent undue and over-inflated credits, and the knowledge of power to expand the currency will give infinite confidence and power of resistance in times of panic and depression.

The possible objection that the stock of bullion in the vaults of the government may become depreciated and the government may lose through corners or otherwise, when it sells bullion, need have little weight. In the first place, there will be more buying than selling, which would stiffen the price of silver. And secondly, though the bullion value should fall, the government would be as safe as it is at present with $100,000,000 gold to redeem $340,000,000 greenbacks and some $400,000,000 of silver certificates. Let the United States adopt this plan, and we should be independent of international monetary conferences and bimetallic treaties. An international money would be created which the nations of Europe would soon be driven to imitate.

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